

Washington, D.C. - Leaders of the New Democrat Coalition joined President Obama at the White House today to support his proposed reform of the regulations governing financial services. The President's plan includes many of the principles advocated by the New Dems earlier this year.

The coalition of 69 moderate, pro-growth Democrats has advocated for reform that will restore market stability and confidence and work to avoid the kind of system-wide collapse – and subsequent government intervention – that occurred last fall, while not stifling market growth and innovation. The Coalition joined the President at his White House announcement today to support the embodiment of those principles in his proposal.

“Today, the President unveiled a comprehensive, commonsense plan to restore public confidence in our markets,” said Congressman Crowley (NY-07), New Dem Whip. “The plan is a return to balanced and efficient regulation without stifling our nation's financial services sector and ensures that taxpayers funds will never be on the hook again for the reckless actions of a select few. The 69 member strong New Dems will continue to be a voice for balanced regulatory reform and we applaud these protections for both investors and taxpayers.”

“President Obama's plan aligns with key NDC priorities, balancing the need to monitor systemic risk with a structure that will allow risk-taking and innovation,” said Congresswoman Melissa Bean (IL-08), New Dem Vice-Chair and Co-Chair of the Financial Services Task Force. “Reforming our financial regulations is vital to preventing a repeat of last fall. With these common-sense rules proposed today, we will restore confidence and market stability and we can prevent the kind of massive government intervention that was necessary last year, but that nobody wants to do again.”

Congressman Bill Foster (IL-14), New Dem Financial Services Task Force Member, said, “I am extremely pleased that the President has released a financial regulatory overhaul that embodies many of the principles of transparency, proper regulation of risk, and consumer protection that the New Democrats have been championing. I am confident that, working in a bipartisan manner with the Administration and our colleagues, we can ultimately adopt a plan that protects our financial system.”

“I am pleased that President Obama will be moving forward on important regulatory changes to

our financial services system that are in keeping with many of the priorities of the New Democrat Coalition. It is important that we establish strong reforms to prevent further instability in our markets and safeguard us from future economic catastrophes.” Said Congresswoman Carolyn McCarthy (NY-04), New Dem Financial Services Task Force Member.

Last February, the New Dems’ Financial Services Task Force released 21 principles for regulatory reform. Two of those principles, mortgage reform and foreclosure avoidance, have already been passed by Congress. Thirteen are included in today’s proposal from the White House. They are:

Efficient and Effective Regulation

- Create a systemic risk regulator that can monitor systemically important institutions and their counterparties to mitigate the risk of systemic collapse. (Sect. I, B)
- Reduce redundant regulatory structures in exchange for robust regulatory oversight. (Sect. I, D&E)
- Ensure oversight over new financial instruments that currently do not have regulatory oversight. (Sect. II, B&C)
- Increase coordination and communication between federal regulators through expansion of the President’s Working Group on the Financial Markets to include all federal financial regulators. (Sect. I, A)
- Modernize the regulation and oversight of the insurance industry to ensure adequate information and a consolidated U.S. position in international trade discussions. (Sect. I, H)

Market Stability and Transparency

- Reform how regulators evaluate capital requirements when using fair value accounting values (mark to market) on hold to maturity assets in a temporarily impaired market. (Section I, A)
- Prohibit excessive leverage on debt and derivative instruments by requiring necessary capital reserves to prevent against the potential risk of default. (Sect. I, C)
- Create a countercyclical mechanism to temper extreme market fluctuations. (Sect. I, C)
- Support open exchanges and price disclosure to increase transparency in opaque markets like the credit default swaps market. (Sect. II, B)
- Require lenders to hold a small percentage of loans in a first loss position to ensure originators retain some stake in the loans they underwrite. (Sect. II, A)
- Conduct a thorough review of rating agencies’ methodologies, models and compensation

structures to ensure that ratings are accurate and not subject to conflict. (Sect. II, A)

Robust Consumer and Investor Protection

- Hold federal financial regulators accountable for enforcement of consumer and investor protections. (Sect. III, B&C)
- Protect and continue to encourage simpler disclosure of status and terms and conditions of Americans' retirement and investment accounts. (Sect. III, C5)
- Reduce incentives for excessive risk taking and improve corporate governance by empowering shareholders. (Sect. III, C3)